



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0029	Title:	Generally revise laws on title and pay day loans
Primary Sponsor:	Parker, J.	Status:	As Introduced-Revised

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Include in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$ -	\$ -	\$ -	\$ -
State Special Revenue	\$ (25,782)	\$ (34,376)	\$ (34,376)	\$ (34,376)
Revenue:				
General Fund	\$ -	\$ -	\$ -	\$ -
State Special Revenue	\$ (31,225)	\$ (29,975)	\$ (29,975)	\$ (29,975)
Net Impact-General Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FISCAL ANALYSIS

Assumptions:

1. The proposed changes to the Montana Deferred Deposit Loan Act will increase licensing fees for deferred deposit lenders. The new license fee will be increased from \$375 to \$500, which is an increase of \$125 per license. The new license fee for any license issued for a period of less than six months will be increased from \$187.50 to \$250, which is an increase of \$62.50 per license. There will be no new deferred deposit loan licenses issued during the biennium.
2. The renewal fee for any deferred deposit loan licensee will be increased from \$125 to \$500, an increase of \$375 per licensee. There will be a reduction in the number of deferred deposit loan licensees as a result of capping the interest rate at an annual percentage rate of 36%. There are 115 deferred deposit loan lenders that will be issued license renewals in FY 2007. The number of deferred deposit lenders that will renew their license each year will decrease to 50 in FY 2008 through FY 2011. The amount of revenue from license renewals which will be lost to the state special revenue account in FY 2008 through FY 2011 will

be \$8,125 (65 licensees x \$125). The amount of new revenue from license renewals that will be deposited to the state special revenue account will be \$18,750 (50 licensees x \$375).

3. Annual deferred deposit lender examinations will no longer be required under 31-1-711, MCA. Examinations will be conducted at the discretion of the Division of Banking and Financial Institutions. There will be 30 deferred deposit loan licensees examined each year in FY 2008 through FY 2011. One examiner will perform each examination at a cost \$300 as provided in 31-1-711, MCA. The amount of revenue from examinations, which will be lost to the state special revenue account in FY 2008 through FY 2011 will be \$25,500 (85 licensees x \$300).
4. The cost of a consumer database required under new Section 13 of the Deferred Deposit Loan Act will be paid by the deferred deposit loan licensees. A rough estimate of the cost of such a system is \$50,000 annually.
5. The proposed change to the Montana Title Loan Act will require pawn brokers to obtain licenses if they are making title loans. There will be five title loan licenses issued to pawn brokers after October 1, 2007. The fee for a license issued to a title lender for a period less than six months is \$250. The five title loan licenses issued to pawnbrokers will increase revenue by \$1,250 (five licensees x \$250) in FY 2008. The estimated revenue in FY 2009 through FY 2011 is \$2,500.
6. There will be a reduction in the number of title loan licensees as a result of capping the interest rate at an annual percentage rate of 36%. There are 42 title lenders that will be issued license renewals in FY 2007. The number of title lenders that will renew their license will decrease to 20 in FY 2008. The cost of renewal is \$500 for each license. The amount of revenue from license renewals which will be lost to the state special revenue account in FY 2008 through FY 2011 will be \$11,000 (22 licenses x \$500) annually.
7. There will be 42 title loan licensees examined in FY 2007. There will be 20 title loan licensees examined in FY 2008 through FY 2011. This will represent a decrease of 22 examinations. One examiner will perform each examination at a cost \$300 as provided in 31-1-810, MCA. The amount of revenue from examinations, which will be lost to the state special revenue account in FY 2008 through FY 2011 will be \$6,600 (22 licensees lost x \$300).
8. The reduction of deferred deposit and title loan licensees and examinations will result in the elimination of 1.00 FTE. The cost of the reduction will result in a savings to the state special revenue account of \$34,376. Personal services include an examiner's salary, insurance, and benefits and operating expenses includes an examiner's travel, supplies and materials, and training.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	(0.75)	(1.00)	(1.00)	(1.00)
<u>Expenditures:</u>				
Personal Services	\$ (20,984)	\$ (27,978)	\$ (27,978)	\$ (27,978)
Operating Expenses	\$ (4,798)	\$ (6,398)	\$ (6,398)	\$ (6,398)
TOTAL Expenditures	<u>\$ (25,782)</u>	<u>\$ (34,376)</u>	<u>\$ (34,376)</u>	<u>\$ (34,376)</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$ -	\$ -	\$ -	\$ -
State Special Revenue (02)	\$ (25,782)	\$ (34,376)	\$ (34,376)	\$ (34,376)
TOTAL Funding of Exp.	<u>\$ (25,782)</u>	<u>\$ (34,376)</u>	<u>\$ (34,376)</u>	<u>\$ (34,376)</u>
<u>Revenues:</u>				
General Fund (01)	\$ -	\$ -	\$ -	\$ -
State Special Revenue (02)	\$ (31,225)	\$ (29,975)	\$ (29,975)	\$ (29,975)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$ -	\$ -	\$ -	\$ -
State Special Revenue (02)	\$ (5,443)	\$ 4,401	\$ 4,401	\$ 4,401

Sponsor's Initials

Date

Budget Director's Initials

Date